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20 APR 1959

MEMORANDUM FOR: Chief, Audit Staff

SUBJECT : Questions Resulting from Audit Inspections of Certain Stations following "Class B" Accounting and Reporting Procedures.

REFERENCE : Your Memorandum, dated 3 February 1959, and attached Dispatch [REDACTED]-1977) dated 22 January 1959 from Chief, Audit Staff Branch Office, [REDACTED]

1. This is in reply to the referenced memorandum in which you requested the views of this Office with respect to several points that were raised as the result of audit inspections made at four field stations, namely, [REDACTED], 25X1A6a

2. Our comments stated below are identified with the same paragraph reference as contained in the field memorandum.

Advances

a. In paragraphs 2, 3, 4, 5, and 6, the auditor recites his findings as to the procedures employed by the aforementioned stations with respect to advances and these indicate, as summarized in paragraph 7, that, (1) all advances are not approved in advance by an authorized official, (2) realistic due dates are not established for all advances, and (3) all advance transactions are not recorded in the cash journal as they occur.

b. In paragraph 8 it is stated that the auditor who made the inspections did not require any changes in the current practices for several reasons. These reasons all appear to attach significance to the fact that these stations' activities are small and station administration is in daily close contact with all activities. Based on these reasons, you state in the referenced memorandum, that it is your opinion that under such circumstances formal approvals for advances appears unnecessary. This Office does not agree with this view as we feel that field stations should conform to the provisions of Agency regulation [REDACTED] which are deemed to be proper and feasible requirements and also that the procedures set forth in [REDACTED] which require that all transactions be recorded as they occur, should be followed. To relieve the Chief of Station of what may be felt to

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be unnecessary paper work, perhaps a delegation of authority should be made to a responsible subordinate, and/or possibly consideration should be given to revolving fund advances to facilitate operations. In no event, however, should cash transactions occur, as cited in paragraph 5 concerning [REDACTED] that are not promptly recorded in the cash journal.

c. It is unfortunate that the auditor did not take exception to non-compliance by these stations, as it is indicated that verbal discussions were held, and omission of comment in the audit report might be construed to indicate agreement with such practices. Nevertheless, the Field Audit Chief states in paragraph 9 that he is not sure that there should be any waivers of requirements.

d. The policies and procedures which are prescribed covering advances have been developed after very comprehensive studies and full recognition of experiences, and with due consideration to the protection of all Agency employees concerned. It is believed, therefore, that by full compliance to prescribed policies and procedures and the use of delegations of authority, as may be deemed appropriate, necessary control will result with respect to "advance" activities.

Expenditures

e. The matter of approvals of field station expenditures, as commented on in paragraph 11 of the dispatch has been the subject of considerable discussion for some time both among representatives of this Office as well as with your representatives, and there are different approaches which can be taken based on specific transactions and existing circumstances.

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f. In [REDACTED] it is stated policy that "each advance or expenditure of Organization funds must be approved by a designated approving officer"; further on in this regulation, dealing with the designations of approving officers, it states that "the COS, although primarily responsible for approval of each financial document, may designate personnel in a senior supervisory

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capacity under his supervision to authorize individual disbursements, vouchers, accountings, subject to the approval of the COS on the monthly accountings." It further states "the signature of the COS on the monthly accounting constitutes approval of each disbursement reflected thereon in lieu of affixing an approving signature on each supporting document."

g. It would seem that at smaller stations, which follow the Class B accounting handbook, if it is considered impractical for the COS to approve each document, designation in writing should be made to subordinate personnel to authorize the expenditures. These designations could be made to have operational type expenditures approved by an operation supervisor and support type expenditures by someone familiar with support activities. Under this arrangement all disbursement transactions would be authorized prior to payment and it would possibly relieve the COS of making close scrutiny of each and every transaction on the monthly accounting in order for him to affix his approval.

h. It is suggested that during the course of future audits when your representatives find practices where expenditures are made by field stations prior to approval or authorization, the auditor make recommendation to the COS that he approve the proposed disbursements prior to payment or that he designate senior subordinates to authorize such disbursements prior to payment.

[Redacted Signature]

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Deputy Comptroller

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TAS/CGJ:fmd (15 April 1959)

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